UNIVERSITY OF SASKATCHEWAN

1999 ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

106-01197/

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan 1999 Academic Pension Plan as at December 31, 2004 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2004 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 21, 2005

Fred Wendel, CMA, CA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2004	2003
Assets		
Cash	$ 131,042	$ 207,518
Accrued investment earnings	436,282	447,453
Investments (Note 3):		
Short term notes	10,654,962	3,953,785
Bonds	27,538,529	30,989,107
Equities	55,406,292	40,151,264
Pooled funds	61,121,394	75,035,590
	154,721,177	150,129,746
Contributions receivable:		
Employee	135,502	134,094
Employer	135,502	134,094
	271,004	268,188
Total assets	155,559,505	151,052,905
Liabilities		
Accounts payable	724,009	179,817
Total liabilities	724,009	179,817
Net Assets Available for Benefits (Statement 2)	154,835,496	150,873,088
Accrued Pension Benefits (Statement 3)	136,624,000	135,468,000
Surplus	$ 18,211,496	$ 15,405,088

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

Statement 2

	2004	2003
Increase in Assets		
Investment income:		
Interest	$ 1,704,591	$ 1,840,025
Dividends	1,210,691	926,388
	2,915,282	2,766,413
Current period change in fair values of investments	9,894,669	10,167,828
Contributions:		
Employee	1,634,281	1,583,157
Employer	1,634,281	1,583,157
Other transfers and contributions	79,349	—
	3,347,911	3,166,314
Total increase in assets	16,157,862	16,100,555
Decrease in Assets		
Plan expenses (Note 5)	439,756	397,954
Pension benefits paid	4,130,154	4,309,760
Refunds and transfers:		
Retirements	6,898,608	6,405,473
Terminations	726,936	1,126,195
	7,625,544	7,531,668
Total decrease in assets	12,195,454	12,239,382
Net increase in net assets	3,962,408	3,861,173
Net assets available for benefits at beginning of year	150,873,088	147,011,915
Net assets available for benefits at end of year (to Statement 1)	$ 154,835,496	$ 150,873,088

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For The Year Ended December 31

Statement 3

	2004 (Note 4)	2003 (Note 4)
Accrued Pension Benefits, beginning of year	$ 135,468,000	$ 134,335,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	9,483,000	9,403,000
Benefits accrued with interest	3,642,000	3,563,000
Experience loss	---	922,000
Changes in assumptions	526,000	---
	13,651,000	13,888,000
Decrease in Accrued Pension Benefits:		
Benefits paid with interest	12,167,000	12,256,000
Experience gain	328,000	---
Changes in assumptions	---	499,000
	12,495,000	12,755,000
Accrued Pension Benefits, end of year (to Statement 1)	$ 136,624,000	$ 135,468,000

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN
1999 ACADEMIC PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. Plan Administration

The University of Saskatchewan 1999 Academic Pension Plan (the Plan) was established effective January 1, 1999 as a result of dividing the University of Saskatchewan Academic Employee's Pension Plan (Academic Plan) between that Plan's retired members and its active, inactive and members whose employment with the University had terminated but remain entitled to pension benefits.

Effective January 31, 2001, the Plan was segregated from the Academic Plan. On that date, assets sufficient to cover the accrued liabilities for the active and inactive members at December 31, 1998 as well as a portion of the surplus of the Academic Plan were transferred to this Plan from the Academic Plan.

During 2001, the Plan had two components – a defined benefit component and a defined contribution component. All members hired on or after July 1, 2000 must participate in the defined contribution component. On January 1, 2002, the Plan was divided into two Plans. Assets sufficient to cover the contributions and interest of members in the defined contribution component were transferred to The University of Saskatchewan 2000 Academic Money Purchase Pension Plan.

The Plan is administered by a Fringe Benefits Committee that is composed equally of appointees of the Board of Governors and the Faculty Association. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Pension Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

Description of the Plan

The following description of the 1999 Academic Pension Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

a) General

The Plan is a defined benefit plan. Effective July 1, 2000, the Plan is closed to new members.

The Plan consists of academic and administrative employees of the University of Saskatchewan hired before July 1, 2000 who are employed on a permanent full time, seasonal full time or permanent part time basis. Participation in the plan was compulsory after completing three years of continuous service.

b) Retirement Benefits

The normal retirement date of a member is the June 30th coincident with or next following the attainment of age 67. The annual amount of pension is determined as follows:

A past service pension of:

i) 2% of the member's best four years average pensionable salary multiplied by the member's service prior to July 1, 1965; less

ii) the amount of pension payable under the terms of the prior plans.

Plus a current service pension of:

iii) 2% of the member's best four years average pensionable salary multiplied by the member's service after July 1, 1965; less

iv) .04% multiplied by their service after December 31, 2005 (to a maximum of 35 years) multiplied by the average Canada Pension Plan earnings ceiling in the year of retirement and the two previous years.

The above is a normal form of pension which provides for monthly payments for life with a minimum of 120 monthly payments being guaranteed.

Alternatively, a retiring member may elect the greater of the commuted value of the monthly retirement benefit or the total contributions together with accrued interest, and transfer this amount to a locked-in registered retirement savings vehicle or a prescribed registered retirement income fund, within the maximum tax shelter rules, with any excess being paid in cash.

c) Disability Retirement Benefits

The annual amount of pension is determined by applying the regular retirement benefit formula. Article V, Section 2(b) of the Plan provides that during a period of disability the member will be deemed to have received earnings at the member's full normal rate of pay.

d) Termination Benefits

Upon termination of employment a member may elect:

i) to receive a deferred retirement benefit; or

ii) to transfer an amount equal to the greater of:

1) employee contributions together with the University's contributions and interest; or

2) the commuted value of the monthly retirement benefit

to a locked-in RSP or deferred annuity, within the maximum tax shelter rules, with any excess being paid in cash; or

iii) to receive a partial cash refund of 50% of their accumulated contributions with interest to December 31, 1993, in which case the member's deferred retirement benefit or transfer amount will be reduced accordingly.

e) Death Benefits

The beneficiary of an employee who dies before retirement will be entitled to receive an amount equal to the greater of:

i) the sum of the member's and the University's accumulated contributions with interest; or

ii) the commuted value of the monthly retirement benefit; or

iii) if the deceased member could have elected to receive an immediate pension, 60% of the commuted value of the monthly retirement benefit.

For an employee who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

f) Plan Improvements

Article XIX of the Plan makes provision for the use of any actuarial surplus to be applied firstly to the declaration of bonus pensions to existing pensioners, with any remaining surplus to be used to improve the benefits of members in the Plan if an adequate reserve for contingencies exists.

g) Required Contributions

In accordance with the terms of the Pension Plan Agreement total contributions required are based on 13.64% of regular earnings subject to a maximum of the median of the range for full professors which is determined on an annual basis. Of this total contribution, the employee contribution is 50%.

h) Funding Policy

The Pension Plan Agreement requires the University to contribute at least 50% of the total required contribution.

The most recent actuarial valuation for funding purposes disclosed an actuarial surplus. Upon the actuary's recommendation, the Board has decided the University's future service cost is to be maintained at the level set in the plan to the next valuation. The present rate of contribution is considered adequate to fund the future service benefits.

2. Significant Accounting Policies

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Investments

Short-term notes are recorded at cost which approximates market value.

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

Units held in pooled funds are valued at the closing sales prices of the underlying securities as reported by the principal securities exchange on which the underlying securities are traded.

Fair value of investments approximates the market value. Transactions are recorded as of the trade date.

b) Receivables/Payables

Receivables and payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity the cost approximates the fair value.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's and Moody's Investor Services.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments to 30% of the book value of the Plan.

Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 2.33% to 2.59% (2003 – 2.52% to 2.93%) and a term to maturity of 365 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio.

	2004 ($000)					2003 ($000)	
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Total Market Value	Yield to Maturity at Market
Under 5	$0	1,506	4,161	5,667	4.97% - 6.03%	7,554	4.25% - 8.80%
5 – 10	7,486	938	6,814	15,238	4.41% - 7.63%	18,774	5.13% - 8.15%
Over 10	3,418	1,867	1,349	6,634	5.03% - 6.11%	4,661	5.50% - 10.25%
Market Value	$10,904	4,311	12,324	27,539		30,989	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.21% (2003 – 2.06%).

	Market Value ($000)	
	2004	2003
Common shares	$33,060	$26,710
Foreign preferred shares	134	0
Foreign common shares	22,212	13,441
	$ 55,406	$40,151

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager. The Plan's pooled funds are comprised of the Jarislowsky Fraser Special Equity Fund, BGI Universe Bond Index Fund, BGI Unhedged Synthetic U.S. Equity Fund, and Jarislowsky Fraser International Equity Fund.

Investment in a pooled fund should not exceed 10% of the market value of the pooled fund.

	Market Value ($000)	
	2004	2003
Canadian	$34,219	$ 32,085
Foreign	26,902	42,951
	$61,121	$ 75,036

Foreign equities including foreign-pooled funds are limited to 30% of the book value of the investment portfolio and are denominated in Canadian dollars. Foreign equities and foreign pooled funds represent 24.15% (2003 – 28.29%) of the book value of the Plan.

Investment Return

The following is a summary of the Plan's investment performance:

As of December 31, 2004	1 year	4 year
Plan Return	8.7%	3.4%
Plan Objective	8.7%	2.0%

The Plan's objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange Index, Standard & Poor's 500 U.S. Stock Index and the Scotia Capital Universe Bond Index.

4. Accrued Pension Benefits

An interim actuarial valuation of the 1999 Academic Pension Plan's defined benefit component was performed by Aon Consulting Inc., a firm of consulting actuaries, as at December 31, 2004. An actuarial valuation was performed by the same consulting firm as at December 31, 2003. The present value of accrued pension benefits was determined using the projected benefit cost method pro rated on service and the best estimate assumptions of management.

The net experience during the year was attributable to several factors as outlined below:

	December 31 2004	December 31 2003
Interest on contribution balances greater than assumed	$ 817,000	$ 1,266,000
Gain due to active members retiring	(1,414,000)	(1,148,000)
Salary increases greater than expected	76,000	613,000
Pensioner mortality	111,000	191,000
Miscellaneous	82,000	---
	$ (328,000)	$ 922,000

Significant long-term actuarial assumptions used in the valuation were:

	December 31, 2004	December 31, 2003
Salary escalation rate	3.5%	3.5%
Inflation rate	3.0%	3.0%
Interest rate	7.0%	7.0%
Mortality table	UP 94 projected to 2005	UP 94 projected to 2004

During the year, the mortality assumptions and maximum pension limits were updated to reflect current tables. This has resulted in an increase to the accrued pension benefits of $526,000.

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 3.0%, salary 3.5% and interest rate 7.0%.

	Long Term Assumptions					
	Inflation *		Salary		Interest	
	4.0%	2.0%	4.5%	2.5%	8.0%	6.0%
(Decrease) Increase in obligation for pension benefits	(2.5%)	3.5%	.9%	(.6%)	(2.8%)	4.8%

* The interest rate is equal to the inflation rate plus a real rate of return. The salary increase, YMPE increase and the Income Tax Act maximum pension increase equals the inflation rate plus 0.5% for productivity. Thus changing the inflation rate by plus/minus 1% will automatically increase/decrease the interest rate, salary increase, YMPE increase, and Income Tax Act maximum pension increase assumptions by 1%.

Since the Plan provides 100% CPI indexing up to maximum of 2% for the first 5 years after retirement, the sensitivity analysis for changing the inflation rate assumption does not impact this result.

The pension liability is long term in nature. The plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

To protect the Plan against future adverse demographic or investment experience, the Pension Plan Agreement, under article XIX 5., allows that any surplus which may arise from the operation of the Plan which is not required to meet the actuarial liabilities existing thereunder shall accumulate as a reserve for contingencies.

The University contributes to the Plan on behalf of its employees based on the advice of the Plan's actuary within minimum amounts specified in accordance with the plan and the collective bargaining agreement. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

5. Plan Expenses

	2004		2003
	Budget	**Actual**	**Actual**
Investment management fees	$269,000	$225,720	$242,140
Trustee fees	50,000	66,603	45,516
Administration fees	27,100	38,854	42,641
Actuarial and consulting services	83,000	108,579	66,147
Other	---	---	1,510
Total	$429,100	$439,756	$397,954

6. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The Plan pays for plan expenses, including certain administration fees and miscellaneous expenses, which the University of Saskatchewan incurs and charges the Plan. The administrative expenses charged by the University of Saskatchewan in 2004 were $27,913 (2003 - $30,899).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.